



Consumer News

New Special Report
on the Year 2000

***New, improved and
expanded Special Report
on Y2K issues for
bank customers***

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The Year 2000, Your Bank and You

The government and the banking industry are working to keep the Y2K computer bug from affecting bank customers. Here's an FDIC guide to what you need to know and do to be ready.

By now, most people have heard of the "Year 2000" or "Y2K" bug. It involves reprogramming computers to make sure they don't mistake the date 2000 for the year 1900. If computers aren't fixed by January 1, there may be problems. Many people are puzzled about how a technical

flaw in computers could affect their everyday lives, and many may fear the unknown. They may be asking: "Is my money safe?" "Will it be there when I want it?" "Is my bank prepared?"

The Federal Deposit Insurance Corporation has been a symbol of

continued on next page



Illustration: T.W. Ballard

confidence for three generations of Americans. We consider it our duty to provide reliable information to consumers about banking and the Year 2000. By devoting this entire issue of **FDIC Consumer News** to the Year 2000, we want to help you know what Y2K is all about, what government agencies and banking institutions are doing to protect you, and what you can do to protect yourself. We hope our special report will help you understand:

- **The FDIC and other government authorities are doing everything we can to prevent problems for consumers and ease the impact of any disruptions.**

We have been educating bankers about what is expected of them to get their institutions Y2K-ready, and we have been following up with on-site examinations.

- **FDIC-insured institutions, from the smallest to the largest, are reviewing, fixing and testing their systems to be ready for the Year 2000.**

The overwhelming majority of banks are on track to be Y2K-ready. As for the rest, the banking regulators are taking aggressive action to ensure that these institutions take the actions necessary to prevent disruptions caused by the century date change.

- **Your daily banking routine generally should not be affected.**

While we cannot guarantee that every one of the more than 10,000 banks and savings institutions insured by the FDIC will have absolutely no problems come January 1, 2000, the results of the regulators' visits are

encouraging. In addition, to make sure that banks and savings institutions will be able to deal with any unexpected Y2K problem quickly and effectively, all FDIC-insured institutions are required to establish plans that will provide for alternative methods of doing business, if needed.

- **FDIC-insured deposits are safe, just as they always have been.**

Since the FDIC was created in 1933, we have made bank failures a non-event for most people. As a result, three generations of Americans have been able to sleep at night secure in the knowledge that their insured deposits are safe. Today, Americans can continue to be confident that their insured deposits at banks and savings associations will be safe January 1, 2000, and thereafter — no ifs, ands, or buts. Remember that no one has ever lost a penny of an FDIC-insured deposit. No one.

- **The FDIC wants you to be an informed consumer.**

In the following pages we provide information, suggestions and lists of resources you can use to learn more about the Year 2000. Among these resources is a toll-free consumer assistance line the FDIC has established to answer your questions about banking and the Year 2000. The number is (877) FDIC-Y2K or (877) 334-2925. You also can visit the FDIC's Year 2000 Web page at www.fdic.gov/about/y2k on the Internet.

Please keep reading our special Y2K report to learn more about why we say the Year 2000 is just one more challenge that we, as a nation, will meet. 🏠

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On the Internet

FDIC Consumer News and other consumer information from the FDIC is available on the Internet via the agency's home page (www.fdic.gov).

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Assessing Y2K Readiness

What the FDIC and other regulators are doing to make sure banking institutions are ready

Banks and savings institutions face risks from the Year 2000 issue because so many of their transactions depend on date-sensitive computer calculations. These include posting interest to deposit accounts, crediting loan payments received, handling automated teller machine transactions, and so on.

Making sure that the more than 10,000 FDIC-insured financial institutions correct their computer systems by January 1, 2000, is a major priority for the FDIC and other federal and state banking regulators, as well as for the industry.

Big Task, Top Priority

The government and the banking industry have been working on Y2K for several years. "Assessing the Year 2000 readiness of financial institutions has been a huge undertaking and an unprecedented effort," says Frank Hartigan, the Washington-based Y2K Program Manager for the FDIC's Division of Supervision.

FDIC Consumer News wants to help you understand what the FDIC and other regulators have been doing to minimize Y2K problems for consumers. Here's an overview of the steps banking regulators have taken and will continue to take to ensure that financial institutions prepare for the Year 2000 date change:

- **Federal guidance on how to get ready for the Year 2000 date change.**

Federal banking regulators have jointly issued guidance to all FDIC-insured institutions on meeting minimum standards for Y2K-readiness, including

deadlines for testing their computer systems.

The regulators also have instructed insured institutions to plan alternate ways of providing services to customers if disruptions do occur.

- **Visits to every FDIC-insured financial institution to closely monitor progress in dealing with the problem.**

Michael Benardo, a Y2K Examination Specialist with the FDIC in Washington, says "specially trained examiners have already performed at least two Year 2000 assessments at every FDIC-insured financial institution in the country to determine how they are doing." A program of follow-up visits will continue through the Year 2000 to make sure that institutions complete their Y2K plans.

- **On-site assessments of many of the companies used by the banking industry for computer products and services.**

The banking regulators are also visiting many of the companies used by the banking industry for data processing and financial recordkeeping. Examiners have

visited the most significant of these companies—more than 300 firms—to check whether they are correcting Y2K-related problems.

How are they doing?

Bank regulators are encouraged by what they have seen. Institutions have fixed their systems, and have put their fixes to the test. This means that banking institutions have run their computer programs using dates after January 1, 2000, to see whether the changes were done correctly.

Our assessments show that the vast majority of institutions are doing a good job getting ready for the Year 2000.

In those situations where we find that a financial institution is lagging, the institution may be subject to actions from federal and state regulators that would require corrective measures.

"The regulators will deal aggressively with institutions that should be doing more to address Year 2000 deficiencies," says Michael Zamorski, Deputy Director of the Division of Supervision and chairman of a committee that guides the FDIC's Y2K efforts. ☛

"Specially trained examiners have already performed at least two Year 2000 assessments at every FDIC-insured financial institution in the country to determine how they are doing," says Michael Benardo, a Y2K Examination Specialist with the FDIC in Washington.

Y2K "Fixes"...and Frauds

The Year 2000 computer problem isn't a problem for criminals—it's an opportunity to cash in on people's fears about the unknown. While chances are you'll never encounter a Y2K con, we want you to know how to spot the warning signs so you won't end up a victim.

The FDIC and other government agencies believe that scams such as these could become more prominent in the coming months:

- A con artist posing as a bank employee calls to say that, as part of a Year 2000 fix of the bank's computers, you must confirm (actually reveal) your credit card or bank account number. The crook then uses this information to order new credit cards or checks in your name, and goes on a shopping spree.
- You receive an unsolicited offer to "hold" your money until after January 1, 2000, in a place that's supposedly safer than a federally insured deposit account. The money would only go into the crook's pocket.
- A sales person from a company you never heard of calls to suggest that you buy into an investment that's free of Year 2000 problems (or will "solve" Y2K problems) and is guaranteed to net a big profit. It's likely the only one profiting will be the seller, while you get little or nothing in return.

Although the FDIC hasn't received many reports of Y2K-related crimes yet, Gene Seitz, a fraud specialist with the agency, says activity could pick up later in 1999. "It may be a bit early for Y2K frauds to be fully surfacing," he says, "because to be effective con artists will likely capitalize on any apprehension during the last few months of the year."

Best Defenses

The FDIC wants you to be Y2K-careful. Here are four things you can do to protect yourself from a potential Y2K swindle:

1. Remember the classic "red flags" of a financial swindle.

We suggest you hang up the phone or walk away from any unsolicited offer if:

- The deal seems too good to be true or doesn't seem to make sense.
- The offer is from an unfamiliar company, often without a street address or direct telephone number.
- The person or company won't give you written details of the offer.
- You're asked to give cash, a check, or your credit card or bank account number before you receive goods or services.
- The sales person uses high-pressure tactics or is intimidating.

2. Protect your personal financial information.

Never give out your Social Security, bank account or credit card numbers to an unknown person or company unless you initiated the contact, and never give anyone the Personal Identification Number you use to access an ATM. A con artist can use this information to withdraw money from your bank account or order new credit cards in your name.

3. Check out any offer to buy or invest in a product or service before you commit to anything.

If you're seriously considering an offer, get as much information as you can before you agree to pay money. Always confirm with a reliable source whether you do, indeed, have a problem or that there isn't a better solution. For

example, if you're approached about a supposed Y2K problem with your bank account, independently check with your financial institution. To find out more about a particular company, the Better Business Bureau in the area where the firm is located is an excellent source of information (including complaints against companies). Or, contact the state Attorney General's office or the state or local consumer protection agency in the area where the company is located and ask about its complaint history.

4. Take the time to spot, and report, a possible fraud.

Always review your account statements and credit card bills to make sure a swindler hasn't withdrawn money or made purchases in your name. Also, if one of these regular mailings doesn't arrive, that could be a sign someone has changed your billing address for fraudulent purposes. If you think you've been the victim of a scam or just suspect something fishy, call the police immediately. Then call your financial institution. It's also worth calling the National Fraud Information Center at (800) 876-7060 (www.fraud.org on the Internet) so it can forward your concerns to the appropriate federal and state authorities.

If you just remember these four simple steps, it's a good bet that you won't have to worry about being the victim of a Y2K scam. For more information on Y2K scams and other Y2K issues, call the President's Council on Year 2000 Conversion toll-free at (888) USA-4-Y2K or (888) 872-4925, or consult the Council's www.y2k.gov Internet site. 🏠

Don't Take the Money and Run

If you're thinking of withdrawing extra money for the Year 2000, read this first

You may have heard someone say that before January 1, 2000, you should have stocked up on extra money just in case your bank can't cash checks or operate ATMs because of a Y2K problem. What do we have to say about that?

The FDIC recommends that you make a reasonable decision based on solid information, not on false, uninformed or exaggerated reports on the street, in the media or over the Internet. We also believe that you should consider the following:

- **Federal and state regulators expect that most banking services will be functioning normally on January 1.**

Examiners have been visiting every FDIC-insured bank and savings institution in the country to check on its progress. Almost all insured institutions are on schedule to be Y2K-ready, so it should be "business as usual" on January 1. The very few institutions not making satisfactory progress are undergoing increased scrutiny by bank regulators and are required to correct their deficiencies.

As part of this readiness effort, banks, automated teller machine manufacturers and ATM networks (the systems that give you access to your bank account using another bank's teller machine) are fixing and testing their machines. And if problems do occur, banks have back-up plans so service can continue.

- **The funds you leave in a federally insured account are absolutely safe. The same can't be said for the money you take out of the bank.**

Wallets and purses are easy to lose. And while robbers are always out there, as we get closer

to the New Year they may be especially active if they hear that people are carrying extra cash. Among the potential crime targets: people who have just taken cash out of ATM machines.

We also caution everyone about hiding a large sum of money at home, where it can be taken by a thief, misplaced by a family member or destroyed in a fire, even if the cash is in a metal safe or file cabinet. "It's never a good idea, at any time, to carry around a large amount of cash or keep it at home," says Frank Hartigan, the Washington-based Y2K Program Manager for the FDIC's Division of Supervision.

- **If your favorite ATM is out of order, you can get cash elsewhere.**

Just because an automated teller machine is "down" doesn't mean your bank or the ATM network your bank belongs to is having a Y2K problem. So, if one ATM isn't working, try another nearby. Or, during regular banking hours, just go into a bank branch.

You also may be able to use your ATM card or credit card to get cash at a merchant's cash register (perhaps for a small fee).

- **There are more ways to pay for products and services than just using cash.**

Most merchants accept your check, credit card or debit card (an ATM-type card that deducts from your account to pay for purchases). "In this day and age, when there are so many options for making payments, consumers shouldn't feel they need to rely solely on cash," says Hartigan.

If you have a question or problem regarding the best ways to make a payment (or even get additional cash), consider calling your bank

or credit card company. Many banking institutions will have extra customer-service staff answering phones or otherwise assisting consumers during the Year 2000/New Year's weekend.

- **Y2K problems won't cause your bank to lose track of your money.**

It's highly unlikely that a Year 2000 computer problem will trigger an error in your account balance. If something does go wrong, though, institutions are required to keep back-up records that can be used to identify and correct errors that might affect your accounts. So why take out a lot of cash because you're afraid the bank will lose your money... and then risk losing it yourself? And remember, every extra dollar you take out of your account is a dollar that no longer earns interest.

Final Thoughts

Rest assured that the banking industry will be ready if you and other consumers have a need for more cash. The Federal Reserve System, which supplies banks with the coins and currency they need to handle daily banking operations, has plans to print extra cash as a precaution to meet any increased demand. But as we've described here, bank regulators and bankers have spent years preparing to overcome the Year 2000 problem so that there should be no need for anyone to withdraw extra money.

We leave you with the words of respected financial columnist Jane Bryant Quinn. In writing about the Y2K issue recently, she said: "Would I take savings out of the bank, lose the interest it's earning and risk total loss if I had a fire? My money stays put, where it's FDIC-insured." ■

Direct Deposits and Payments: No Need to Shift Out of Automatic in the Year 2000

More Americans are enjoying the convenience, safety, and cost-savings of direct deposit and automatic payment programs at their bank or savings institution. We're referring to the electronic deposit of your salary, Social Security payment, and other money directly into your bank account, as well as pre-arranged deductions from your account for recurring payments such as your mortgage or utility bills.

Automated banking services are convenient and offer consumers peace of mind. But some consumers may be wondering whether their automatic deposits and payments will still be made promptly and accurately when the new century begins. **FDIC Consumer News** wants you to know what's being done to protect your payments, and what you can do to help protect yourself.

• Federal and state government agencies are committed to ensuring that institutions on the sending or receiving end of your money are taking steps to prevent most Y2K glitches and minimize the rest.

Every month, a bureau of the U.S. Treasury Department known as the Financial Management Service (FMS) issues payments to Americans on behalf of federal government agencies. "Tens of millions of Americans depend on FMS systems to meet lifeline needs every month," Assistant FMS Commissioner Constance Craig told Congress recently. Craig said the FMS "is devoting all possible resources to ensure that the day-to-day services we provide to the American people on behalf of other federal agencies will not be disrupted on January 1, 2000 or thereafter."

At the end of May 1999, the FMS systems that issue 96 percent of its total payments—approximately \$830 million payments each year—were Y2K-ready. The remaining FMS systems are expected to be all set in late summer of 1999.

Many consumers also want to know whether the Social Security Administration is Y2K-ready. Their questions were answered by President Clinton in December 1998 when he said that a panel of independent experts concluded the Social Security system "is now 100 percent compliant with our standards and safeguards for the Year 2000." He added that "the system works, it is secure."

• The government is monitoring financial institutions' progress at meeting federal Y2K standards.

The FDIC and other federal and state banking regulators are conducting on-site examinations of banks and savings institutions to ensure that financial institutions' computer systems will function properly in 2000. By June 30, 1999, FDIC-insured institutions should have tested and, if necessary, replaced any computer programs used to handle electronic payments to and from the U.S. Treasury Department, the Social Security Administration, and other outside parties. "Financial institutions know it's in everyone's best interests to make sure the services they provide to consumers are no different in the Year 2000 than they are today," says Michael Benardo, a Y2K Examination Specialist with the FDIC in Washington.

Federal regulators report that nearly all FDIC-insured institutions are making steady

progress in their Y2K preparations. The few institutions lagging behind schedule will be required by regulators to fix any remaining problems.

• Banks and other parties are preparing contingency plans so that they can continue to do business even if some computers temporarily shut down.

Financial institutions deal with computer malfunctions all the time, including those caused by the occasional power failure, fire, flood, or other serious emergency, and rarely is customer service significantly disrupted. In fact, with the Y2K situation, banking institutions have been able to plan for potential problems years ahead of time. Banking institutions are expected to have contingency plans in place to deal with temporary Y2K-related service problems, including maintaining back-up records of transactions so they can recover them in the unlikely event there are Y2K-related disruptions.

Final Thoughts

Most experts agree that direct deposit and other automatic payment programs are better, safer, and more convenient than writing and sending paper checks. We expect that this will continue to be true into the next century, especially given the aggressive steps being taken by the government and the financial services industry to protect all your payments. So, if you'll be sending or receiving payments automatically in the coming year, we suggest that you keep your cool about Y2K and keep enjoying the free time you gain by using modern technology over pens, paper and postage. ■

A Y2K Checklist for Customers

From the smallest to the largest, federally insured financial institutions have been working hard to make sure their computer systems will operate smoothly in the Year 2000. In addition, federal and state regulators are closely monitoring the progress of institutions they supervise to make sure Y2K issues are being addressed. Despite the best efforts of the industry and the regulators, no one can guarantee that everything will work perfectly. That's why financial institution customers may want to consider taking steps in anticipation of the date change. You can refer to the following checklist to prepare yourself for Y2K.


☐ **Educate yourself about Y2K.** Find out what *your* financial institution is doing to address consumer concerns. If you have questions, speak with a representative who knows about the institution's Y2K program.

☐ **Keep copies of financial records.** As always, keep good records of your financial transactions, especially for the last few months of 1999 and until you get several statements in 2000.

☐ **Pay attention to your finances.** As always, balance your checkbook regularly. When you receive a transaction receipt from your institution, check it for accuracy and save it to compare against your statement. It's also smart to review your credit report to make sure it doesn't contain inaccurate information.

☐ **Make prudent preparations.** Remember all your payment options (checks, credit cards, debit cards, ATMs and tellers) in the event that one doesn't work as planned. The Federal Reserve has plans to ensure that there will be sufficient cash available for consumers. If you withdraw money, make reasonable decisions based on solid information; don't put yourself at risk of being robbed or losing valuable interest payments.

☐ **Be on guard against Y2K scams.** Be skeptical if someone asks for your account information or tries to sell you a product, service or investment that's supposedly Y2K "safe." Protect your personal information, including your bank account, credit card and Social Security numbers.

☐ **Review your deposit insurance coverage.** The federal government's protection of insured deposits will *not* be affected by Y2K. If you have more than \$100,000 in an insured bank, thrift or credit union, you may want to make sure you understand the insurance rules. Check with your financial institution or the Federal Deposit Insurance Corporation regarding insurance at banks and savings institutions (see the box below) or the National Credit Union Administration for credit unions (1775 Duke Street, Alexandria, VA 22314, phone 703-518-6330, Internet site www.ncua.gov). 

FDIC Resources on Deposit Insurance

Here are sources of assistance from the FDIC regarding deposit insurance coverage at banks and savings institutions:

- **Insurance specialists in the FDIC's Division of Compliance and Consumer Affairs.** Call (800) 934-FDIC; that's (800) 934-3342. Recorded information is available 24 hours a day, seven days a week. Specialists are available Monday through Friday from 9:00 a.m. to 5:00 p.m., Eastern time. If you are hearing impaired, call (800) 925-4618. Consumers also may write to FDIC Consumer Affairs, 550 17th Street, NW, Washington, DC 20429. Or, e-mail your question to consumer@fdic.gov.
- **The Electronic Deposit Insurance Estimator (EDIE),** a new Internet service from the FDIC that allows you to quickly and easily check whether your accounts at one institution exceed the insurance limit. You can find EDIE by going to the FDIC's Internet site (www.fdic.gov) and clicking on "Consumer News."
- **The FDIC booklet "Your Insured Deposit,"** which is available free of charge from banks and savings institutions or from the FDIC's Public Information Center (see Page 2). "Your Insured Deposit" and other basic descriptions of FDIC insurance coverage also are available on the Internet at www.fdic.gov.

For More Help and Information Regarding Y2K

Federal Regulators of Depository Institutions

In addition to their ongoing consumer assistance programs, the FDIC and the four other federal regulators of banks, savings institutions and credit unions have publications, Internet sites, staff and other resources that can help answer your questions on Year 2000 matters:

- **Federal Deposit Insurance Corporation** (Division of Compliance and Consumer Affairs, 550 17th Street, NW, Washington, DC 20429, phone toll-free 877-FDIC-Y2K or 877-334-2925, Internet www.fdic.gov/about/y2k)

- **Federal Reserve Board** (Division of Consumer and Community Affairs, 20th Street and Constitution Avenue, NW, Washington, DC 20551, phone 202-452-3693, Internet www.federalreserve.gov/y2k)

- **Office of the Comptroller of the Currency** (Customer Assistance Unit, 1301 McKinney Street, Suite 3710, Houston, TX 77010, phone 800-613-6743, Internet www.occ.treas.gov/y2k/default.htm)

- **Office of Thrift Supervision** (Consumer Affairs Office, 1700 G Street, NW, Washington, DC 20552, phone 800-842-6929, Internet www.ots.treas.gov/y2k.html)

- **National Credit Union Administration** (Office of Public and Congressional Affairs, 1775 Duke Street, Alexandria, VA 22314, phone 703-518-6330, Internet www.ncua.gov/news/year2000/year2000.html)

President's Council on Year 2000 Conversion

This organization established by President Clinton has an Internet site (www.y2k.gov) and a toll-free line for general Y2K information (888-USA-4-Y2K or 888-872-4925).

Federal Trade Commission

For Y2K publications or other assistance, contact the FTC's Consumer Response Center, Washington, DC 20580, call (202) 382-4357, or go to www.ftc.gov on the Internet and click on "Consumer Protection."

The FTC also maintains an Internet site providing Y2K information from various federal agencies at www.consumer.gov.

General Services Administration

The GSA, a central source of government information, operates an Internet site for sharing and soliciting Y2K information. Just go to www.itpolicy.gsa.gov and click on "Year 2000 Directories."

Small Business Administration

Call the SBA toll-free at (800) 827-5722 to be routed to an appropriate source of Y2K information, including an SBA district office near you. Check the agency's Y2K Internet page at www.sba.gov/y2k/. Or, using your standard telephone or the phone on your fax machine, call toll-free to (877) 789-2565 and follow the instructions to receive Y2K information from the SBA by fax. ☎

Toll-Free Y2K Assistance from the FDIC

(877) FDIC-Y2K or (877) 334-2925